



Press Release

SGX-LISTED FURNITURE ORIGINAL DESIGN MANUFACTURER KODA ANNOUNCES FY2008 RESULTS

- **Despite a challenging operating environment, the Group reports revenue of US\$54.9m and net profit of US\$4.2m as key strategies cushion impact**
- **Net asset value per ordinary share rose to 28.6 S cents as at 30 June 2008. EPS was 4.7 S cents for the year ended 30 June 2008. Gearing ratio improved to 0.08 times from 0.12 times**
- **Vietnam-based subsidiary Rossano continues to deliver strong retail sales in Vietnam; opens exclusive flagship store carrying premium furniture to expand local market share albeit inflationary pressures as international experts remain optimistic about the attractiveness of the local economy to foreign direct investment ('FDI')**
- **In appreciation of shareholder support during these difficult times, Koda announces a final dividend of 0.5 S cent (or 0.37 US cent) less tax per ordinary share, bringing the total to-date dividend payout to 1.0 S cents (or 0.74 US cent) less tax; inclusive of the already paid out interim dividend earlier this year**
- **Outlook: Moving into FY2009, Koda is encouraged by the preliminary orders from new and existing customers seeking to 'lock in' prices for the upcoming Christmas season; notwithstanding the uncertain economic outlook for its traditionally strong US and UK markets, Koda will continue to remain financially sound and profitable**

Singapore, 27th August 2008 - SGX-listed original design manufacturer (“ODM”) and furniture exporter, Koda Ltd (“Koda” or “the Group”), announced its results for the full year ended 30 June 2008 (“FY2008”).

Despite a challenging operating environment, the Group reported a net profit of US\$4.2 million on the back of revenue of US\$54.9 million for the period under review as key strategies helped to cushion the impact to some extent and the Group’s subsidiary, Rossano continued to deliver strong retail sales in Vietnam.

Specifically the Group’s main markets, US and UK/Europe, contracted especially during 2H2008 owing to credit -related issues after the sub-prime fall out. As previously mentioned in a letter to shareholders in June, even as the Group adopted a more cautious sales policy towards these markets by conscientiously diversifying its client base especially outside the US, most of Koda’s clients in the aforesaid markets adopted a “wait-and-see” approach and postponed orders. Notwithstanding this development, the impact from the anticipated US slowdown was slightly reduced by Koda’s continuing investment into product R&D as the Group stepped up efforts to penetrate new geographical markets, acquire new customer segments and enlarge its product range. In line with this deliberate strategy, for the period under review, on a geographical basis, contribution of revenue from the Asia Pacific region increased by US\$ 1.0 million to account for 24%, up from 20.2% in FY2007.

In line with the fall in the Group revenue, gross profit also dipped slightly by 8.0% to US\$16.0 million in FY2008 as compared to US\$17.4 million in FY2007. Encouragingly, gross profit margin remained a stable 29%.

Selling and distribution costs increased due mainly to: (1) retail sales expansion in Vietnam as Rossano opened a larger Concept Store and launched the higher-end “Rossano Exclusive” range in Vietnam; (2) additional terminal handling charges incurred by our Vietnam operations for ‘inwards-and-outwards’ containers. The inflationary trends also exerted pressure on administrative expenses for the Group operations.

Additionally, Rossano suffered a one-time tax provision of US\$0.5 million owing to a new tax legislation recently enacted by the Vietnamese Ministry of Finance that increased Rossano’s income tax rate from the previously granted concessionary rate of 7.5% to 15% for the financial periods from 2004 till 2008.

Consequently, FY2008 net profit attributable to shareholders fell by 41.9% to US\$4.2 million from US\$7.2 million in FY2007.

Commenting on the Group’s FY2008 performance, Mr James Koh, Managing Director of Koda said, “The operating environment continues to remain challenging but our strategies over the past few years are assisting us to overcome the challenges and explore new geographical and customer segments. This process of transition unfortunately comes with higher costs which have temporarily dampened the Group’s profitability.”

“More encouragingly, Rossano recently opened an exclusive flagship store (Rossano Exclusive) carrying a range of premium furniture to expand its local market share. By offering a more diversified product range, Rossano Exclusive does not cannibalise the market share of the existing Rossano concept stores, whose products are priced about 20% to 30% lower,” added Mr James Koh. This expansion is albeit inflationary pressures as international experts remain optimistic about the attractiveness of the local economy to FDI.

“The weakness in the housing market does not appear to be isolated to the US. There are signs that the EU and in particular the UK, is likely to also experience significant housing weakness. Our mainstay strategies of product R&D and focused marketing remain intact. New ranges signed for and pitched at non-US clients did well at the international furniture shows from

January to April this year that we traditionally participate in. On a separate note, Rossano continues to do well on the back of continued rise in affluence and the establishment of a Vietnamese middle class,” advised Mr James Koh on business outlook.

“As we move into FY2009, we are encouraged by the preliminary orders we are getting from existing and new customers seeking to ‘lock in’ prices for the upcoming Christmas season. We believe in part that these orders are also due to customers seeking non-China based production so that they can overcome the problems associated with the strengthening of the renminbi and a sharp rise in China manufacturing costs,” concluded Mr James Koh.

Koda’s cash position remained strong at US\$5.1 million as at 30 June 2008 as compared to US\$5.9 million as at 30 June 2007. Net asset value per ordinary share as at 30 June 2008 rose to 28.6 S cents (or 21.0 US cents) from 25.0 S cents (or 18.4 US cents) last year. Given that and despite the ongoing economic uncertainty, Koda is keen to reward shareholders for their support and patience. Hence the Board has announced a final dividend of 0.5 S cent (or 0.37 US cent per share (less tax)). Together with the 0.5 S cent (or 0.37 US cent) interim dividend already paid out earlier this year, this brings Koda’s total dividend payout to 1.0 S cents (or 0.74 US cent) in FY2008.

Barring unforeseen circumstances, the Board believes that notwithstanding the uncertain economic outlook for its traditionally strong US and UK markets, Koda will continue to remain financially sound and profitable in FY2009.

end

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Media Contact Info:

WeR1 Consultants Pte Ltd

Tel: +65-6737 4844 Fax: +65-6737 4944 HP: +65-8200 9339

Mona Leong, Reshma Jain

monaleong@wer1.net ; reshma@wer1.net

About Koda Ltd

Established in Singapore and founded in 1972, Koda is backed by a management with combined experience of close to a century and recognised as a leading Original Design Manufacturer (“ODM”) to the world. Koda is a strong contender for home furniture export and could possibly be the largest dining room furniture exporter in South-East Asia. Koda’s range of design-intensive products exudes individuality, sophistication and elegance

Koda is well-known for its design strength – leading to appreciation from upscale customers worldwide for its aesthetical and functional pieces. With proven market experience, strong product development and significant in-house design expertise, Koda has been able to offer more than 300 product models, secure orders from more than 200 customers and sell to more than 50 countries. Consistent business strategies and focused growth initiatives differentiates Koda from others.

Koda has been emphasising on cost-effective expansion and the enlarged production and sourcing facilities in Vietnam and China enhance its cost competitiveness. Together with its existing manufacturing base in Malaysia, Koda has a total 12 purpose-built factory buildings.